

International Business

Because our world has become truly connected, business transactions can occur in a variety of places.

Exports – Goods or Services shipped out of a seller's home country to a foreign country.

Imports – Goods or Services bought from a foreign country and brought into the country.

To continue to grow their business, companies need to look to new markets, obtain new customers, and find more effective and efficient ways to produce their goods or services in order to maintain competitiveness in this global community.

Domestic Sales

Most transactions that occur in the same country fall under the same universal commercial laws, and accounting standards.

Most domestic sales are paid for in cash or on account with approved credit.

International Sales

- Lack of universal commercial laws
- Complex Supply Chain/Logistics
- Determining Financial Stability of a Customer
- Political Conditions – (Taxes)

Process of an International Sale

1.) Contract of Sale

Details the terms agreed upon by seller and buyer

Contains description and quantity of merchandise, price, point of delivery, packing and marking instructions, shipping information, insurance provisions, and method of payment.

2.) Letter of Credit

Issued by a bank guaranteeing that the individual or business will be paid provided conditions are met.

To then collect payment, 3 documents specified in the Letter of Credit must be submitted to the bank of the seller.

Process to Collect Payment

1.) Bill of Lading

A receipt signed by the authorized agent of a transportation company for merchandise received that also serves as a contract for delivery.

2.) Commercial Invoice

A statement prepared by the seller of merchandise addressed to the buyer showing a detailed listing and description of merchandise sold, including price and terms.

3.) Draft

A written, signed, and dated order from one party to order another party to pay money to a third party.

Sight Draft – Payable when the holder presents it for payment

JOURNALIZING AN INTERNATIONAL SALE

CASH RECEIPTS JOURNAL												PAGE 10							
				1		2		3		4		5		6		7		8	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE		SALES DISCOUNT DEBIT	CASH DEBIT								
				DEBIT	CREDIT			DEBIT	CREDIT										
10 Apr. 1 ✓		M45	✓				2500000				2500000								
1	2	3	4				5				6								

1

2

3

4

5

6

1. Date
2. Check Mark
3. Memorandum Number
4. Check Mark
5. Sale Amount Credit
6. Sale Amount Debit

*Sales tax is normally only paid when sold to the final consumer

JOURNALIZING TIME DRAFTS

GENERAL JOURNAL										PAGE 5
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT					
10	Time Drafts Receivable	TD12		600000						6
7	Sales				600000					7

1. Date

2. Account Debited

3. Time Draft Number

4. Sale Amount Debit

5. Account Credit

6. Sale Amount Credit

Time Draft

A draft that is payable at a fixed or determinable time after acceptance

JOURNALIZING CASH RECEIPTS FROM TIME

CASH RECEIPTS JOURNAL												PAGE 16
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE		SALES DISCOUNT DEBIT	CASH DEBIT	
				DEBIT	CREDIT			DEBIT	CREDIT			
1	9 Time Drafts Receivable	R465			600000						600000	9
10												10
11												11

1. Date
2. Account Title
3. Receipt Number
4. Amount Received Credit
5. Amount Received Debit